

Our Ref:

2nd November 2016

By hand and by email: ListingRegulation@sfc.hk

Corporate Finance Division
Securities and Futures Commission
35/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

By hand and by email: response@hkex.com.hk

Corporate Communications Department
c/o Hong Kong Exchanges and Clearing Limited
12/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

Re: Consultation Paper on Proposed Enhancements to the Exchange's Decision-Making and Governance Structure for Listing Regulation

1. This is our response to the above consultation paper.
2. As a company the shares of which are listed on the Hong Kong Stock Exchange, we are comfortable with the way in which listing matters are regulated at present. We feel that listed companies are in general treated fairly and sensibly by those regulating listing matters and that changes to the relevant regulations (in particular the Stock Exchange Listing Rules) are in general made on sensible grounds. It follows that we need to be persuaded of the need for change.
3. We believe that the composition and functions of the Stock Exchange listing committee are particular strengths of the current system of regulation. The listing committee is composed of a broad spectrum of high quality individuals from the private sector with wide and deep experience of securities markets from a variety of perspectives. We believe that this experience is deployed appropriately in the decisions which the listing committee takes on listing applications and the operation of the listing rules and in the influence which it exercises over (i) changes to the listing rules and (ii) the work of the Stock Exchange listing division.

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4. We are concerned that, if the role of the listing committee is reduced as proposed in the consultation paper, the committee will no longer attract high quality applicants. In this event, not only will the listing committee's influence be reduced by the proposals themselves, but the quality of the decisions which the listing committee makes in its reduced role will suffer.
5. It follows from what we say in paragraphs 3 and 4 above that we do not favour changes to the current system which will reduce the functions or influence of the listing committee. We therefore do not favour:
 - (a) Reserving to the proposed listing regulatory committee decisions "on those day-to-day listing matters concerning individual new listing applicants or listed issuers that have suitability concerns or broader policy implications" (paragraph 15 of the consultation paper).
 - (b) Confining the role of the listing committee in relation to policy matters so that it will "put forward non-binding views on the policy matters coming before the [proposed] Listing Policy Committee" (paragraph 13 of the consultation paper).
 - (c) Replacing the listing committee by the listing policy committee "as the body responsible for oversight of the listing function and the Listing Department's performance within the Exchange" (paragraph 28 of the consultation paper). We think it particularly important that the listing policy committee should not be given "primary responsibility for appraising senior executives of the Listing Department" (paragraph 28 of the consultation paper) and that representatives of the SFC should not be permitted to exercise influence over the compensation of the listing department in the manner contemplated by paragraph 28 of the consultation paper.
6. We have made the above points primarily from the perspective of a company with an existing listing on the Hong Kong Stock Exchange. But we also consider that Hong Kong's current system for regulating listing matters is the right one for Hong Kong generally as a major international financial centre. The work of the listing committee ensures that appropriate market and professional expertise and experience is deployed, while the SFC has the final say, with the ultimate right to refuse applications for listing and to veto proposed changes in the listing rules or in listing policy generally. In our view this is the right balance. We naturally have no objection to proposals designed to streamline the present system of regulation and to improve the way in which decisions are made. Accordingly, our submission should not be taken as a wholesale rejection of the proposals in the consultation paper. But we do think that implementation of the specific proposals to which we have referred would upset the balance to which we have referred.

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Yours faithfully,
For CATHAY PACIFIC AIRWAYS LIMITED
國泰航空有限公司

David Fu
Company Secretary